



Mayor Shirley Franklin Announces Good News on 2005 Water & Sewer Rates

Thanks to Voter Approval of 1% Sales Tax
Rate Increase Reduced from 43% to 1%

Today, Mayor Shirley Franklin announced the good news that 2005 Water & Sewer Rates would only be increased by 1%, dramatically less than the previously approved 43% increase. Mayor Franklin attributed the impressive decrease to recent voter approval of the 1% sales tax. The Mayor said, "Thanks are due to the people of Atlanta, who voted to tax themselves and to share the burden of paying for the rebuilding of our water & sewer system with the visitors to our city through approval of the 1% Municipal Option Sales Tax last July."

The increase was announced in a letter from Chief Financial Officer Janice D. Davis to Council President Lisa Borders and the Atlanta City Council.

The text of CFO Davis's letter appears below:

October 26, 2004

The Honorable Lisa Borders
President, City Council
Atlanta City Hall
55 Trinity Avenue, SW Suite 2900
Atlanta, GA 30303-3584

Dear Ms. Borders:

Please accept this letter in place of the communication I sent to you on October 25, 2004.

As you know, the water and sewer rate legislation adopted in January 2004 included a commitment on behalf of the Mayor and the City Council to aggressively pursue other financial options to support the watershed management system and offer relief to ratepayers. The successful implementation of the 1% Municipal Option Sales Tax (MOST) devoted exclusively to the City of Atlanta's water and sewer needs was the result of a collective effort to find ways to reduce the burden on our ratepayers.

In August of this year, Camp Dresser & McKee, Inc. (CDM), an independent engineering, construction, and operations firm in the areas of drinking water, wastewater and water resources management, completed a review of the city's water and wastewater systems, the capital improvement program, and the financial condition of the system. This review was completed in anticipation of an \$875 million bond sale, and included a projection of revenue sufficiency through 2008.

As it consists of the most thorough, recent, and reliable analysis available, the CDM report has been used to guide revenue and budget decisions regarding the water and sewer system since it was issued last August. That report calls for a \$68,917,250 increase in revenue generated by water and sewer ratepayers from 2004 to 2005.

The Andrew Young School of Policy Studies at Georgia State University, an institution respected for its research in the areas of government and the economy, authored the most detailed study to date on the projected annual amount generated by the MOST. The report sets the amount to be expected in 2005 at \$84,638,000.

In order to account for the unknown variables associated with predicted revenue derived from a new source, we have opted to set the anticipation rate at a conservative 80%. Thusly, we have incorporated \$67,710,400 of MOST revenue into our calculation of the water and sewer rate for 2005.

There is a \$1,206,850 difference between the additional \$68,917,250 called for in 2005 by CDM and the \$67,710,400 in anticipated 2005 MOST revenue. To account for this difference, the 2005 per ccf rate set for water and sewer should be raised by an amount of 1% over the 2004 rate.

Two tables illustrating this calculation and depicting the resulting 2005 per ccf rate are included below:

| Table 1: Calculating the increase in water/sewer rates | | | | | |
|---|-------------|-------------|--|---------------------------|--|
| | <u>2004</u> | <u>2005</u> | | | |
| Water charges* | 56,891,750 | 76,662,000 | | Projected revenue incr. | |
| Wastewater charges* | 178,572,000 | 227,719,000 | | 68,917,250 | |
| Total charges | 235,463,750 | 304,381,000 | | | |
| MOST Revenue (80% ant.) | | 67,710,400 | | MOST revenue (80%) | |
| | | 236,670,600 | | 67,710,400 | |
| | % Change | 1% | | | |
| | | | | Difference = amount | |
| *Based on CDM projections | | | | needed from rate increase | |
| | | | | 1,206,850 | |

| Table 2: 2005 increase in water/sewer rates | | | | | |
|--|------|------------------|--------------|------------------|--------------|
| | 2003 | 2004 | | 2005 | |
| | | Percent Increase | Rate per ccf | Percent Increase | Rate per ccf |
| Water ⁽¹⁾ | | | | | |
| 0-3 ccf | 1.75 | 10% | 1.93 | 1% | 1.95 |
| 4-6 ccf | 1.75 | 26% | 2.21 | 1% | 2.23 |
| 7 ccf and above | 1.75 | 45% | 2.54 | 1% | 2.57 |
| Sewer | | | | | |
| 0-3 ccf | 4.45 | 10% | 4.90 | 1% | 4.95 |
| 4-6 ccf | 4.45 | 26% | 5.61 | 1% | 5.67 |
| 7 ccf and above | 4.45 | 45% | 6.45 | 1% | 6.52 |

As the Georgia Department of Revenue turns over the money collected from the MOST to the City of Atlanta throughout the upcoming year, we will be better able to detect trends and establish anticipation levels based on historical data as opposed to projected estimations. By the time the city begins preparing its 2006 budget, we will be in a position to determine how the MOST will affect 2006 water and sewer rates, and will again make recommendations on potential adjustments at that time.

We will continue to monitor the various revenue streams that support the watershed management system, with particular interest paid to opportunities to diversify those sources and reduce the burden on the ratepayers.

As always, feel free to contact me with any questions you may have.

Sincerely,

Janice D. Davis

Chief Financial Officer

cc: The Honorable Shirley Franklin, Mayor

Honorable Members, Atlanta City Council